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New Surpass Petrochemicals Limited



ANNUAL REPORT

1967

WEST HILL ADDITIVE PLANT



New Surpass

Petrochemicals Limited



President's Report

It is a particular pleasure to report to you, on behalf of the Officers and Directors, the results achieved by your Company in 1967.

The rapid growth in sales reported in the early part of 1967 was sustained throughout the year. Total sales volume of \$1,637,137 is not only a new high for the Company, but represents a 53% increase over 1966 and a 52% increase over the previous high in 1965. The improvement in profits was more dramatic as a new record of \$78,408, or about 11¢/share, was realized in comparison to the \$54,085 loss incurred in 1966.

We can, furthermore, report that the favourable upward trend is continuing. The first quarter sales for 1968 were at an annual rate of \$2,300,000, and while earnings figures are not yet available, it is nevertheless evident that the profit to sales ratio has further increased.

These gratifying results may be attributed principally to the outstanding performance of our additive plant addition, completed late in 1966. Through a steady program of refinement in processing techniques, it has been possible to progressively boost the output from this plant to 50% above its original design capacity, with a concomitant improvement in yields and a lowering of costs. Efforts, still under way, are expected to produce additional gains. Other departments have also operated at or near capacity levels.

At present the demand for certain products from this plant still exceeds supply in spite of greater production rates. We are, consequently, planning a significant expansion in the additive plant, which should be completed some time in the third quarter of this year. It is expected that this will be financed out of current earnings and necessitate no new borrowing.

We continue, of course, to be plagued by ever higher costs for raw materials, labour and other factors of production. Due to the competitive situation, it is not possible, in most cases, to pass these increases on. We must, therefore, constantly look for compensating economies such as alternate sources of supply, greater efficiencies, higher production rates and others. There appears to be no truce in sight in the battle against rising costs.



Your attention is called to the Ten Year Summary of Financial Results in this year's report. We believe the growth shown over this period is remarkable. In particular, since 1962, the first year in which a profit was realized, there have been only two loss years. These both coincided with new plant construction programs, and in each case, may be largely attributed to the high start-up costs of new processes. While the profits have not been outstanding, and indeed a substantial overall deficit still exists, it is evident that the problems of smallness are being overcome and that some advantages of size and diversity are now being realized. We see no reason why this trend should not continue at an accelerated pace.

In assessing future earnings possibilities, it should also be pointed out that loss-carry-forwards and a substantial portion of the depreciation provided in the accounts, have not been used for tax purposes. Consequently, no taxes on income should be payable in the important years immediately ahead, and maximum earnings can be retained for continued growth and diversification.

In summary, your management is optimistic about the Company's prospects and anticipates sharply increased sales and enhanced profits in the current year.

The loyalty and support of both employees and shareholders has been most appreciated.

Respectfully submitted,

FRED W. EVANS,
President.

Toronto,
April 26, 1968.



New Surpass Pet

(Incorporated under)

Balance Sheet -

(with comparative figures)

ASSETS

CURRENT ASSETS

	1967	1966
Cash	\$ 30,627	\$ 13,262
Accounts receivable	190,153	55,919
Inventories, at lower of cost and market	235,454	217,556
Prepaid expenses	9,707	8,125
	<hr/> 465,941	<hr/> 294,862

FIXED ASSETS, at cost

Land	49,946	49,946
Building, plant and equipment	1,404,483	1,349,367
	<hr/> 1,454,429	<hr/> 1,399,313
Less accumulated depreciation	634,609	543,830
	<hr/> 819,820	<hr/> 855,483

ORGANIZATION EXPENSE

2,775

2,775

Approved on behalf of the Board:

F. W. EVANS, Director.

E. A. CLARKE, Director.

\$1,288,536

\$1,153,120

AUDITOR

To the Shareholders of
New Surpass Petrochemicals Limited

We have examined the balance sheet of New Surpass Petrochemicals Limited and the statement of profit and loss and the application of funds for the year then ended. Our examination included a general review of the accounting records and supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company and its source and application of its funds for the year then ended, in accordance with generally accepted accounting principles.

Toronto, Canada,
March 26, 1968.

Chemicals Limited

(laws of Ontario)

December 31, 1967

figures for 1966)

LIABILITIES

CURRENT LIABILITIES

	1967	1966
Bank advances (note 1)	\$ 285,000	\$ 319,607
Accounts payable and accrued liabilities	280,944	182,780
Principal instalments due within one year on royalty agreement and mortgages	10,794	18,965
Taxes payable	1,622	
	578,360	521,352
LONG-TERM LIABILITIES (note 2)	81,854	81,854
	660,214	603,206

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized — 1,500,000 shares of no par value		
Issued — 714,848 shares	1,331,159	1,331,159
DEFICIT	702,837	781,245
	628,322	549,914
	<u>\$1,288,536</u>	<u>\$1,153,120</u>

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at December 31, 1967 and the statements of income, deficit and source and application of funds. A review of the accounting procedures and such tests of accounting records and other

the company as at December 31, 1967 and the results of its operations and the generally accepted accounting principles applied on a basis consistent with that of

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.



New Surpass Petrochemicals Limited

Statement of Income

Year ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
Sales	\$1,637,137	\$1,069,733
Cost of goods sold, selling and administrative expenses	1,467,484	1,053,247
	169,653	16,486
Interest on mortgages	466	1,506
Operating profit before depreciation	169,187	14,980
Depreciation	90,779	69,065
Net income (loss) for the year (note 3)	<u>\$ 78,408</u>	<u>\$ (54,085)</u>

Statement of Deficit

Year ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
Deficit at beginning of year	\$ 781,245	\$ 727,160
Net income (loss) for the year	78,408	(54,085)
Deficit at end of year	<u>\$ 702,837</u>	<u>\$ 781,245</u>

Statement of Source and Application of Funds

Year ended December 31, 1967
(with comparative figures for 1966)

Source of funds	1967	1966
Operations		
Net income (loss) for the year	\$ 78,408	\$ (54,085)
Depreciation which does not involve an outlay of funds	90,779	69,066
	169,187	14,981
Issue of shares of capital stock	169,187	25,000
		39,981
Application of funds		
Expenditures on fixed assets	55,116	262,915
Decrease in long-term portion of liabilities	-	33,942
	55,116	296,857
Increase (decrease) in working capital position	114,071	(256,876)
Working capital (deficiency) at beginning of year	(226,490)	30,386
Working capital deficiency at end of year	<u>\$ 112,419</u>	<u>\$ 226,490</u>



New Surpass Petrochemicals Limited

Notes to Financial Statements

Year ended December 31, 1967

1. Bank advances:

The company has pledged accounts receivable and inventories and has given a floating charge debenture as security for bank advances.

	1967	1966
2. Long-term liabilities:		
Royalty agreement, payable \$1,000 monthly	\$ 6,000	\$ 6,000
Mortgages payable		
6% Chattel mortgage, due May 2, 1969	75,000	75,000
West Hill property		
6% due February 15, 1967	3,377	
7% due December 31, 1967	4,794	9,588
Loans payable to shareholders	6,854	6,854
	<hr/> 92,648	<hr/> 100,819
Less principal instalments on royalty agreement and mortgages, included in current liabilities	10,794	18,965
	<hr/> <hr/> \$ 81,854	<hr/> <hr/> \$ 81,854

3. Income taxes:

No provision for income taxes was required for 1967 because the company claimed for tax purposes capital cost allowance in excess of depreciation provided for the year in the accounts.

The balance of cost of fixed assets deductible in determining taxes on income in future years remains substantially in excess of the net book value of depreciable assets.



New Surpass Petrochemicals Limited

Ten Year Summary of Financial Results

<u>Year</u>	<u>Sales</u>	<u>Profit or (Loss) before Depreciation</u>	<u>Depreciation</u>	<u>Profit or (Loss) for Year</u>
1958	\$ 98,543	\$ (163,509)	\$ 51,060	\$ (214,569)
1959	310,010	(112,366)	51,099	(163,465)
1960	625,902	11,280	51,616	(40,336)
1961	700,239	32,144	51,824	(19,680)
1962	683,292	79,581	52,702	26,879
1963	617,793	(4,252)	56,907	(61,159)
1964	1,001,887	109,525	68,868	43,657
1965	1,076,446	108,585	68,560	40,025
1966	1,069,734	14,981	69,066	(54,085)
1967	1,637,137	169,187	90,779	78,408



New Surpass Petrochemicals Limited

Manufacturers of

OIL ADDITIVES

LUBRICATING OILS AND GREASES

RUST PREVENTIVES

CUSTOM FORMULATIONS